CITY COUNCIL REPORT



MEETING DATE: 4/05/04

ITEM No. 25 GOAL: Short- and Long-term Economic Prosperity

SUBJECT

REQUEST

Scottsdale Southern Area Fee Reduction Programs

- 1. Approve Resolution # 6466 allowing for the temporary reduction of specific development and building fees for commercially zoned business properties in a designated area south of Camelback Road.
- 2. Approve Resolution # 6467 allowing for the temporary reduction of specific development and building fees for residentially zoned properties in a designated area south of Indian Bend Road.
- 3. Approve Resolution # 6468 extending the Downtown Fee Reduction Program until June 30, 2005

BACKGROUND

This report looks at the question of reinvestment in the business and residential neighborhoods in the southern part of Scottsdale. This is an area that blends original neighborhoods with recent development to create unique community subareas. As these neighborhoods mature questions arise on how to stimulate reinvestment using a comprehensive approach that involves public and private actions. This report analyzes these issues and provides recommendations for two new programs that will work as part of the comprehensive set of actions designed to support and enhance the residential and business neighborhoods along with authorization of one existing program.

Business Area South of Camelback

The area of Scottsdale south of Camelback Road contains many of the community's business neighborhoods that were built as part of the City's rapid growth during the 1960's and 1970's. After some 40 years many of the business and adjacent residential neighborhoods are in need of reinvestment, in part from the aging of the physical structures and in part because of changes in the general marketplace. Businesses in particular find themselves with the need to be competitive with newer and more aggressive business areas.

A variety of factors continue to affect this market area including: changing demographics, the share of owner occupied properties, development of competitive shopping areas, the status of the former Los Arcos mall site, and the size and zoning of existing parcels. Based on fee permit records it appears that outside Downtown

Action Taken		

overall commercial reinvestment remains relatively low especially for small and medium size businesses. For the most part, the substantial reinvestment that is taking place on McDowell Road, on Scottsdale Road south of Downtown or on Hayden south of Camelback, has been primarily by automobile dealers and a limited number of private sector investments in new or existing properties.

In contrast to the southern area, Downtown has seen an increasing level of reinvestment activities for the past year. This reinvestment activity has been helped by a comprehensive set of City programs including the existing fee reduction program, changes to downtown codes and regulations, and renewed focus on the short and long terms needs of the area by the public and private sectors.

Residential Areas South of Indian Bend

An evaluation of permits issued for residential improvements and developments south of Indian Bend demonstrates a pattern similar to the business areas. The majority of the more than 24,000 single-family homes in the area were built in or before the 1970's with the bulk of these being constructed in the 1950's and 1960's. Repair and reinvestment actions have resulted in the issuance of 1,200 permits of all types in a typical year. While some reinvestment has taken place, much of it has been in the form of replacement of water-heaters, electrical work and similar positive but limited repairs. For example, in CY 2003 there were approximately 98 permits related to home additions and remodels. The remaining 1,100 were for minimal permits that would cost less than \$150.

A variety of factors affect the capacity and willingness of individuals to undertake additions to houses or major remodeling to the interiors. These include such items as whether the property is owner occupied, the budget allotted, the age of the home, and the cost of fees. Additions to homes and remodeling that amounts to more than 25% of the home's value can also trigger other requirements such as the necessity to install fire suppression systems. Additions may also be affected by setback and other rules that affect the development potential of existing home sites. In nearly all instances the cost of fees can be an important issue in moving forward with a project.

ANALYSIS & ASSESSMENT

Business Area Fee Reductions

The business zones along streets such as McDowell Road, Scottsdale Road, Hayden Road, Thomas and Osborn in southern Scottsdale reflect their suburban lineage. Unlike the concentration of businesses found in Downtown the linear development pattern segmented businesses into individual sites or moderately sized commercial centers. This led to little encouragement for reinvestment and less direct impact on neighboring businesses. However, over time as the pattern of limited reinvestment expands the impacts crosses over property boundaries and becomes more recognizable as a community issue. This pattern can be seen in the business areas south of Camelback Road.

For example, portions of Scottsdale Road and McDowell Road show clear signs of a lack of reinvestment. The area along Hayden Road north of McDowell Road also has signs of a lack of reinvestment can be seen although some owners have made significant investment in a limited number of office and retail centers.

The creation of a Fee Reduction Program for the businesses south of Camelback

Road (excluding the Downtown Fee Reduction Area) would help continue the development of a comprehensive set of public and private actions to improving the physical and economic vitality of the area.

The business fee reduction program will also provide the opportunity for businesses, especially smaller companies, to undertake projects at reduced cost that will improve their properties and enhance the overall community.

Residential Area Fee Reductions

The stability of residential neighborhoods influences the ability of business neighborhoods to remain vibrant and economically healthy. The more reinvestment in the housing stock the more likely the neighborhood is to maintain its character and value. Slippage in the reinvestment pattern in residential areas, however, like that in business areas, generally occurs slowly. Therefore, it is important to determine a time to act with stimuli that can help trigger reinvestment especially in owner occupied properties.

Many homeowners find themselves living in older houses that are in neighborhoods they like, that have been home for many years or that meet their financial requirements for the cost of housing. In some cases circumstances limit the capacity of the homeowner to pay for an improvement or they find themselves limited to incremental improvements rather than a more complete project. Fees charged are one of the factors that influence the owners' decisions to make improvements to their properties. Deferring improvements is one of the elements of risk in maintaining a healthy residential neighborhood. This in turn can, over a period of time, influence the overall pattern of reinvestment in the residential and business neighborhoods that impact each other. To the extent fees delay the timing or amount of investment they can contribute to a weakening residential or business area.

The introduction of a fee reduction program for owner occupied properties south of Indian Bend Road is one of the methods that can be used to encourage additional investment in those residential properties. Initial focus on owner occupied units will encourage improvements that help stabilize the t owner occupied percentage of housing. Consideration of whether a similar program for multi-family and rental properties can be developed will take place during the fifteen-month program for owner occupied units.

Reducing the cost of making improvements in some of the oldest neighborhoods in the City can help encourage reinvestment and support healthy residential neighborhoods in the same way the fee reduction program for Downtown has encouraged new and accelerated reinvestment. Coupled with programs to support and enhance the adjacent business areas the residential fee reductions fit well with a comprehensive approach to public and private reinvestment in the southern part of the city.

Comprehensive Approach

The impact of most programs is enhanced when included as part of a comprehensive package that involves the public and private sectors taking complementary reinvestment actions. This is occurring today in Downtown where a comprehensive set of public programs and regulatory changes are supporting and encouraging private reinvestment. A similar comprehensive approach is being proposed for the southern portion of the community. The southern area fee reduction program for

residential and business properties will become part of the comprehensive investment and regulatory mix designed to support revitalization of this part of the community.

A series public and private reinvestment efforts have already been initiated in southern Scottsdale. These include such things as the McDowell Road landscaping project, construction of a new L.A. Fitness Center, private improvements to automotive dealership facilities on McDowell, the development of new housing, a senior center, retail and theater space at Granite Reef and McDowell, the construction of a new car dealership at Pima Road and McDowell, and existing housing rehabilitation programs. In addition to the fee reduction programs, over a period of time other components will be added to the comprehensive approach further enhancing the reinvestment efforts in the area.

Downtown Fee Reduction Continuation

The Downtown fee reduction has had a positive impact on reinvestment in Downtown properties. To date over 80 projects have participated in the program. Reduced income amounts to approximately \$84,000 while an additional \$37,000 has been generated in fee income. It is estimated that the construction completed in conjunction with these projects would also have generated an additional \$128,000 in construction sales tax.

While the broad economy continues to recover areas like Downtown dominated by small business need substantial amounts of time to regain their financial footing. Continuation of the fee reductions, when matched with the other comprehensive set of programs operating in Downtown should help continue to stimulate needed private sector reinvestment in the area. Matching the end date of the fee reduction program to the end date of the Covered Walkway and Façade Improvement Program also allows the two to work in unison to stimulate more private reinvestment.

RESOURCE IMPACTS

Business Fee Reductions

The Scottsdale Southern Area Fee Reduction Program proposal involves the same five development fees as the current Downtown Fee Reduction Program. This means a total reduction of \$4,752 for the combined fees would be allowed for qualifying projects. Projects that have total fees valued at more than the \$4,752 would pay the difference above this amount as they do with the Downtown program.

Looking at the history of commercial permits in the area, the total estimated value of the reductions for the Southern Fee Reduction Program for a period of 14 months is \$80,000 - \$90,000. This anticipates the program taking effect on May 1, 2004 and ending on June 30, 2005. During this time it is also anticipated that a total of \$30,000 - \$40,000 of fee income would be generated beyond the reduction amount as well as additional construction sales tax of over \$100,000.

The fees include:

- 1) Development Review Board Applications fees will be waived by an amount not to exceed \$1,213 per project application
- 2) Building Final Plan Review Application Fee- will be waived by an amount not to exceed \$250 per application
- 3) Building Permit Fee will be waived by an amount not to exceed \$1,190 per application
- 4) Engineering Final Plan Review Application Fee will be waived by an amount

- not to exceed \$1,660 per application
- 5) Encroachment Permit Fee will be waived by an amount not to exceed \$439 per application
- 6) Total combined waivers not to exceed \$4,752 per project

The fee waiver would be available for new projects and renovations.

Residential Fee Reduction

Essential to the success of many businesses is a healthy residential community where the physical condition of the homes is maintained, instilling community pride and encouraging important reinvestment. The proposal is to reduce fees beginning May 1, 2004 for a period of 14 months for single family units found in the portion of the City south of Indian Bend as follows:

Building Final Plan Review Applications Fee – Reduce by \$192.00 Building Permit Fee -

- Minimum Building Reduce by \$100.00
- SFR (Addition, custom, detached structure) Reduce by \$500.00
- All others NTE \$300.00

Engineering Final Plan Review Application Fee – Reduce by \$500.00 Encroachment Permit Fee – Reduce by \$350.00

Total Combined reductions not to exceed: \$1,942.00 per project. When the fee is less than the maximum reduction the fee will be reduced 100%, however, no future credit is created for the unused portion of the reduction. If the total fee amounts to more than the reduction then the applicant must pay the difference. The fee reductions would be available for existing single-family homes that would include townhouses, single-family residences, and condominiums.

The estimated financial impact for 2003-04 would be \$ 40,000 to \$60,000 in reduced revenues and for FY 2004-05 the estimate would be \$ 250,000 to \$260,000 in reduced revenues. Some additional revenue will be generated from net fees on larger projects and construction sales tax.

Downtown Fee Reduction Continuation

Based on the experience of the program to date, continuation of the Downtown Fee Reduction Program from July 1, 2004 to June 30, 2005 is expected to result in revenue reductions of approximately \$80,000 to \$90,000 for the fiscal year. It should generate an additional \$30,000 to \$40,000 of fee revenue and other income in the form of construction sales tax.

Future budget implications. Extending the end date of the Downtown Fee reduction Program to June 30, 2005 would have the program end at the same time as the Covered Walkway and Façade Improvement Program, the proposed Southern Area Commercial Fee Reduction Program, and the Residential Fee Reduction Program. None of the programs is proposed for continuation past that date at this time, thereby limiting the fiscal impact to FY 03-04 and FY 04-05.

OPTIONS & STAFF RECOMMENDATION

Southern Area Commercial Fee Reduction

Option A – Staff Recommendation - To approve as recommended Resolution #

6466, which allows for certain development related fees in the area of Scottsdale south of Camelback Road to be temporarily reduced from May 1, 2004 until June 30, 2005.

Option B- To approve the resolution for a shorter period of time.

Option C – To deny waiver of the fees and retain all expected fee income.

Residential Fee Reduction-

Option A – Staff Recommendation - To approve as recommended Resolution # 6467, which allows for certain development related fees in the area of Scottsdale south of Indian Bend Road to be temporarily reduced from May 1, 2004 until June 30, 2005.

Option B- To approve the resolution with an end date of December 31, 2004

Option C – To deny waiver of the fees and retain all expected fee income.

Continuation of Downtown Fee Reduction Program

Option A – Staff Recommendation - To approve as recommended Resolution # 6468, which allows for extension of the Downtown Fee Reduction Program until June 30, 2005

Option B- To leave the current end date at June 30, 2004.

Proposed Next Steps: If approved, to inform business and property owners in the designated areas as soon as possible so they may take steps to develop any plans and projects that can benefit from these temporary fee reduction programs.

RESPONSIBLE DEPT(S)

Economic Vitality, Planning and Development Services

STAFF CONTACTS

Commercial Fee Reductions-

Harold Stewart, Business Services Manager (480) 312-2311 hstewart@scottsdaleaz.gov

Jon Chase, Principal Planner (480) 312-2578 jchase@scottsdaleaz.gov

Residential Fee Reductions -

Molly Edwards, Housing Mgr/Mediation Mgr (480) 312-4304

medwards@scottsdaleaz.gov

APPROVED BY

David Roderique,

General Manager, Economic Vitality

Ed Gawf

Deputy City Manager

tel A.C.

Date

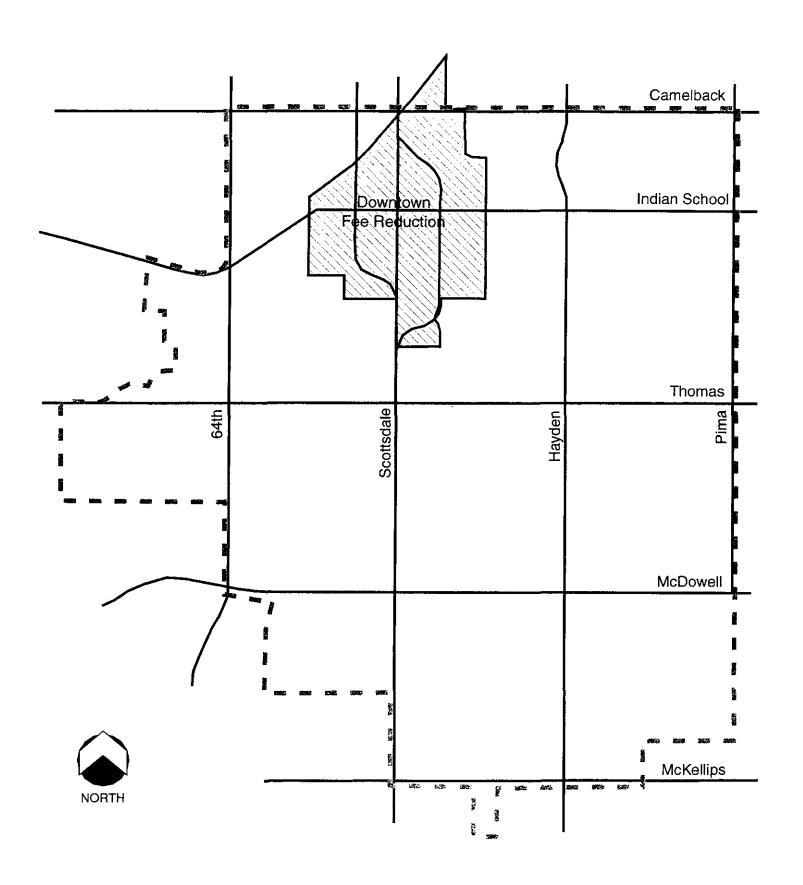
Jan Dolan City Manager

ATTACHMENTS

- 1. Southern Business Fee Reduction Area Map
- 2. Residential Area Fee Reduction Map
- 3. Resolution # 6466 Southern Area Commercial Fee Reduction
- 4. Resolution # 6467 Residential Area Fee Reduction
- 5. Resolution # 6468 Continuation of Downtown Fee Reduction

Southern Fee Reduction Area for Commercial Building Permits

Attachment 1



City of Scottsdale South of Indian Bend Indian Bend **Residential Fee Reduction Area** McDonald Chaparral Downtown Scottsdale Indian School Arizona Canal **Thomas** Crosscut Canal McDowell

Scottsdale, Arizona

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McKellips

RESOLUTION NO. 6466

A RESOLUTION OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, REDUCING CERTAIN FEES ASSOCIATED WITH COMMERCIAL DEVELOPMENT IN SOUTHERN PORTIONS OF SCOTTSDALE FOR A DESIGNATED PERIOD OF TIME

WHEREAS, the southern portions of Scottsdale, which include the business areas south of Camelback Road, has been identified as an area where a program of reinvestment and new investment is needed as an economic stimulus; and

WHEREAS, the City has previously designated part of the southern portions of Scottsdale as areas where support for revitalization should be provided by the City; and

WHEREAS, reinvestment in the business areas of this part of the community can benefit the existing business and residential communities; and

WHEREAS, using a comprehensive package of programs to trigger and maintain a flow of private reinvestment to support revitalization of the southern portions of Scottsdale is part of the strategy to support the area; and

WHEREAS, the reduction of development related fees as part of the comprehensive approach to revitalize the downtown portions of Scottsdale has had a significant positive affect on stimulating and supporting private reinvestment in downtown and a similar comprehensive approach to assisting businesses in other southern portions of Scottsdale will have a comparable positive affect; and

WHEREAS, the reduction of fees including Development Review fees, Building Final Plan Review fees, Building Permit fees, Engineering Final Plan Review fees and Encroachment Permit fees directly impacts the greatest number of projects; and

WHEREAS, reducing these fees for fourteen months will bring economic benefit to the area at a time when its economic health is vulnerable:

NOW, THEREFORE, let it be resolved by the Council for the City of Scottsdale, Maricopa County, Arizona, as follows:

Section 1. The following fees, set in the Final Fee Schedule adopted on June 4, 2001, pursuant to Scottsdale Revised Code Section 416-141, shall be temporarily waived subject to the following limits:

- A. Development Review fees will be waived up to an amount not to exceed \$1,213 per project.
- B. Building Final Plan Final Review fees will be waived up to an amount not to exceed \$250 per project.
- C. Building Permit fees will be waived up to an amount not to exceed \$1,190 per project.

- D. Engineering Final Plan Review fees will be waived up to an amount not to exceed \$1,660 per project.
- E. Encroachment Permit fees will be waived up to an amount not to exceed \$439 per project.
- F. Total combined fee waivers pursuant to this resolution shall not exceed \$4,752 per project.

Section 2. The temporary fee waiver shall only apply to completed applications for these listed approvals during the period starting on May 1, 2004 and ending on June 30, 2005.

Section 3. In all cases, there shall be no reduction for any fee greater than actual fee that would normally be charged for the fee for the project.

Section 4. The area where fee reductions are available is shown on Attachment No. 1 to this resolution.

Section 5. All fees not specifically referenced in this resolution shall remain in full force and effect.

PASSED AND ADOPTED by the council of the City of Scottsdale, Maricopa County, Arizona this 5th day of April, 2004.

ATTEST:

CITY OF SCOTTSDALE, a municipal corporation

Carolyn Jagger City Clerk

Mary Manross Mayor

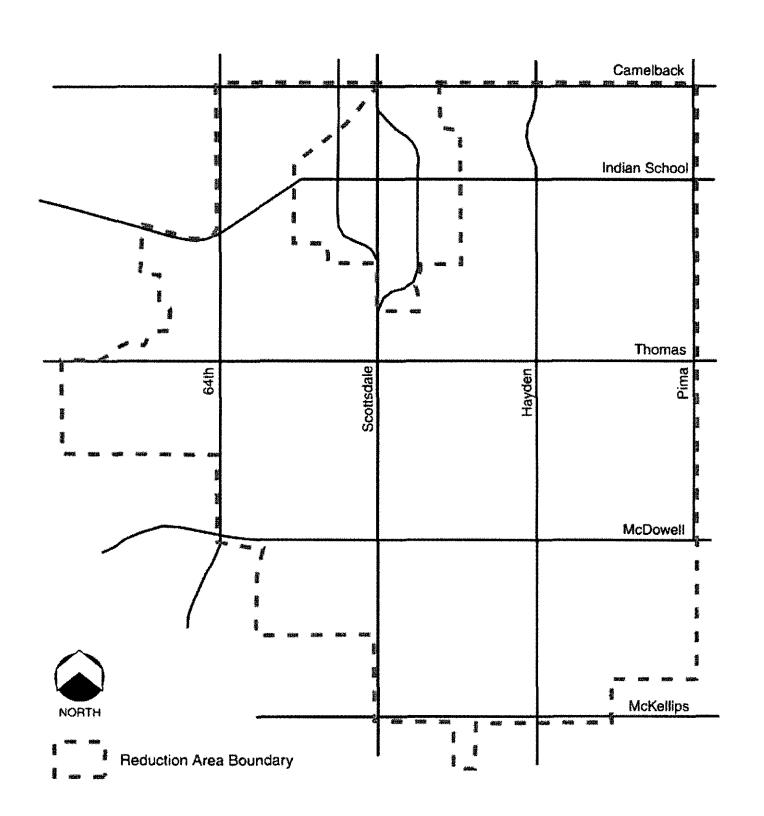
APPROVED AS TO FORM:

Joseph R. Bertoldo

City Attorney

Southern Fee Reduction Area for Commercial Building Permits

Attachment 1



RESOLUTION NO. 6467

A RESOLUTION OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, REDUCING CERTAIN DEVELOPMENT FEES IN SOUTHERN PORTIONS OF SCOTTSDALE FOR A DESIGNATED PERIOD OF TIME

WHEREAS, the portion of Scottsdale between Indian Bend Road and the southern City boundary has been identified in various plans and studies as an area where a concentrated program of reinvestment and new investment in housing is needed as an economic stimulus; and

WHEREAS, the City has previously recognized portions of the southern areas of Scottsdale as specific areas where assistance to encourage housing revitalization should be provided by the City; and

WHEREAS, a variety of financial techniques, including reductions of fees, have been used by cities, including the City of Scottsdale, to encourage private investment in residential revitalization efforts; and

WHEREAS, there are three development related fee types which generally have the greatest financial impact on investments in single-family housing units in southern Scottsdale, including those for home additions, single family home remodels and miscellaneous home repair projects; and

WHEREAS, reducing these fees for fourteen months will provide an economic stimulus for projects that will bring economic benefit to the southern portion of the city at a time when the economic health of that part of the community is vulnerable;

NOW, THEREFORE, let it be resolved by the Council for the City of Scottsdale, Maricopa County, Arizona, as follows:

Section 1. The following fees, set in the Final Fee Schedule adopted on June 4, 2001, pursuant to Scottsdale Revised Code Section 416-141, shall be temporarily waived subject to the following limits:

- A. Single Family Addition fees will be waived up to an amount not to exceed \$2,000 per project.
- B. Building Final Plan Review fees will be waived up to an amount not to exceed \$250 per project.
- C. Single Family Remodel fees will be waived up to an amount not to exceed \$1,190 per project.
- D. Engineering Final Plan Review fees will be waived up to an amount not to exceed \$1,660 per project.
- E. Encroachment Permit fees will be waived up to an amount not to exceed \$439 per project.

F. Total combined fee waivers pursuant to this resolution shall not exceed \$4,752 per project.

Section 2. The temporary fee waiver shall only apply to completed applications for these listed approvals submitted during the period starting on May 1, 2004 and ending on June 30, 2005.

Section 3. In all cases there shall be no reduction greater than the amount that would normally be charged for the fee for the project.

Section 4. The area where fee reductions are available is shown on Attachment No. 1 to this resolution.

Section 5. All fees not specifically referenced in this resolution shall remain in full force and effect.

PASSED AND ADOPTED by the council of the City of Scottsdale, Maricopa County, Arizona this 4th day of April, 2004.

ATTEST:

CITY OF SCOTTSDALE, a municipal corporation

Carolyn Jagger City Clerk

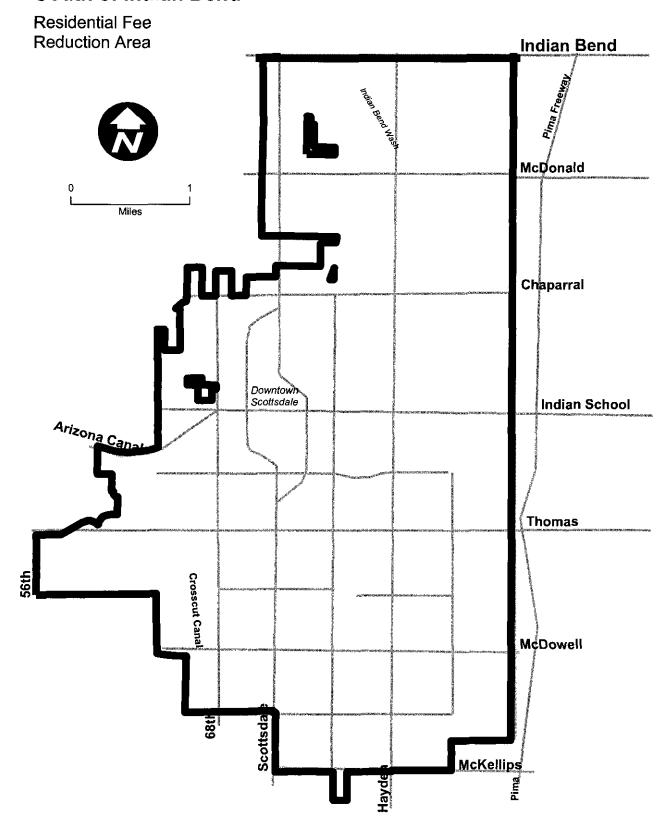
Mary Manross Mayor

APPROVED AS TO FORM:

Joseph R. Bertolde

City Attorney

City of Scottsdale South of Indian Bend



Scottsdale, Arizona

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RESOLUTION NO. 6468

A RESOLUTION OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, AUTHORIZING THE CITY TO EXTEND THE REDUCTION OF CERTAIN FEES ASSOCIATED WITH DEVELOPMENT IN DOWNTOWN SCOTTSDALE FOR A DESIGNATED PERIOD OF TIME AS PROVIDED IN RESOLUTION NO. 6373

WHEREAS, the general economy has begun to show signs of improving, but has not fully recovered; and

WHEREAS, there is the foundation of a growing interest in the revitalization of downtown Scottsdale; and

WHEREAS, maintaining the momentum of reinvestment as the economy continues to recover is critical to the long term economic health of downtown; and

WHEREAS, over 80 downtown Scottsdale projects have benefited from the implementation of the Temporary Fee Reduction Program established in Resolution No. 6238, which provides a stimulus to accelerate private reinvestment throughout downtown; and

WHEREAS, the benefits have accrued to projects dispersed throughout downtown Scottsdale and will complement other programs proposed for implementation in the southern portion of Scottsdale; and

WHEREAS, the expiration date for the program was previously extended by Resolution No. 6373; and

WHEREAS, the City Council desires to further extend the expiration date for the program;

NOW, THEREFORE, let it be resolved by the Council for the City of Scottsdale, Maricopa County, Arizona, as follows:

Section 1. The previous deadline of June 30, 2004 set forth in Resolution No. 6373 is extended to June 30, 2005.

PASSED AND ADOPTED by the City Council of the City of Scottsdale, Maricopa County, Arizona this 5th day of April, 2004.

ATTEST:	a municipal corporation	
Carolyn Jagger, City Clerk	Mary Manross	
City Clerk APPROVED AS FO FORM:	Mayor	

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